



Financial Presentation

2Q / 1H 2017 IFRS Results

August 18, 2017

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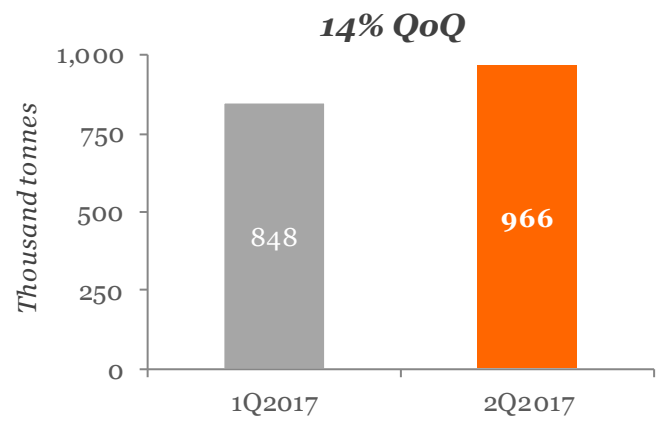
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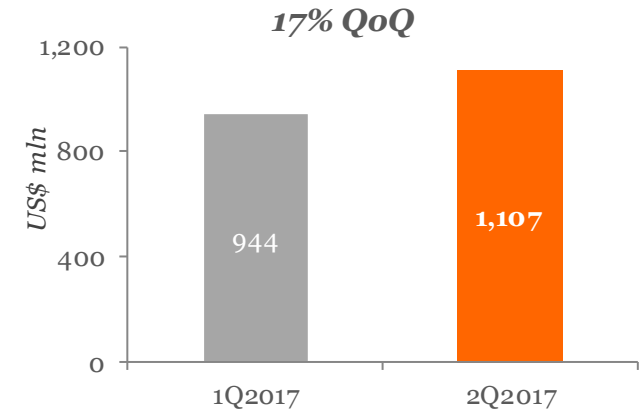
2Q / 1H 2017 Summary Financial Results and Market Update

2Q 2017 vs 1Q 2017 Summary Financial Highlights

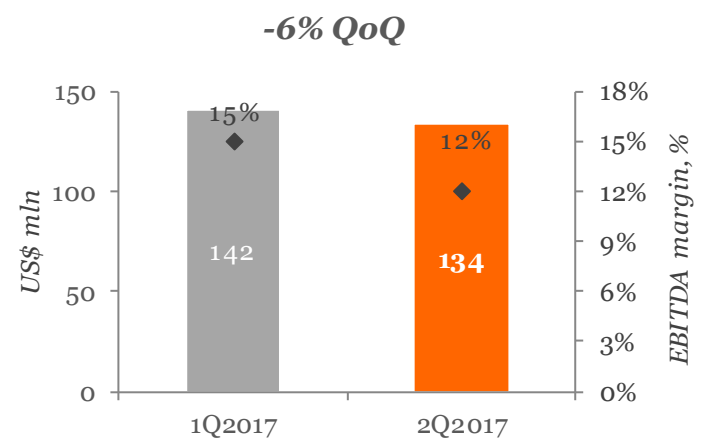
Sales were up QoQ, due to higher seamless line and industrial pipe volumes at the Russian division and stronger welded OCTG sales in the US



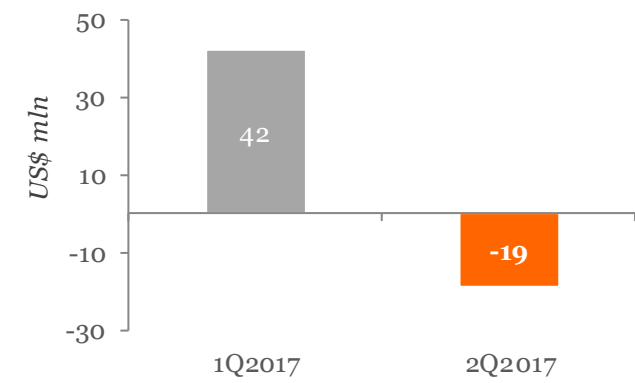
Revenue increased QoQ, due to higher volumes at the Russian and American divisions



Adjusted EBITDA decreased QoQ, due to a lower share of OCTG and LDP sales in the Russian division's total seamless and welded sales



Net profit was negative in 2Q 2017, due to a FX non-cash loss, compared to a FX gain in the previous quarter



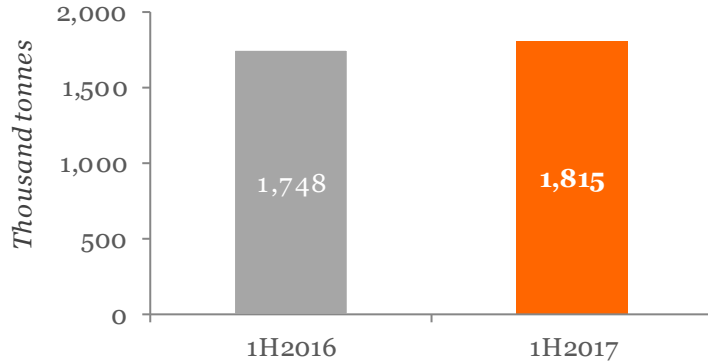
Source: TMK data

1H 2017 vs 1H 2016 Summary Financial Highlights



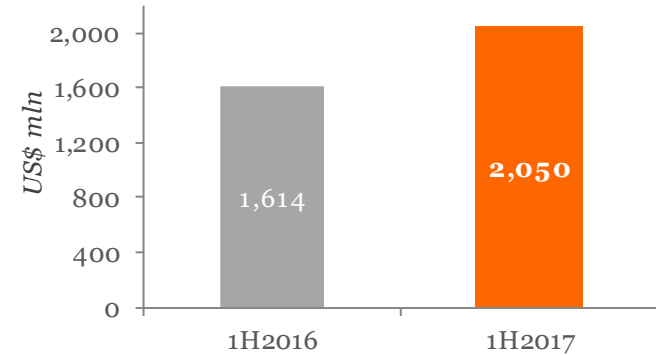
Sales were up YoY, due to high OCTG sales at the American and Russian divisions

4% YoY



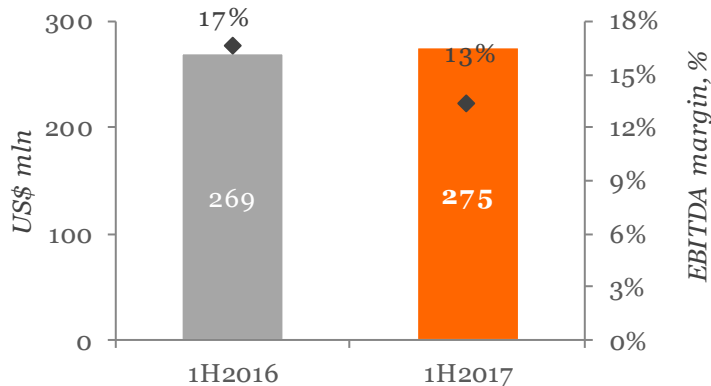
Revenue increased YoY supported by a positive effect of currency translation and strong sales at the American division

27% YoY



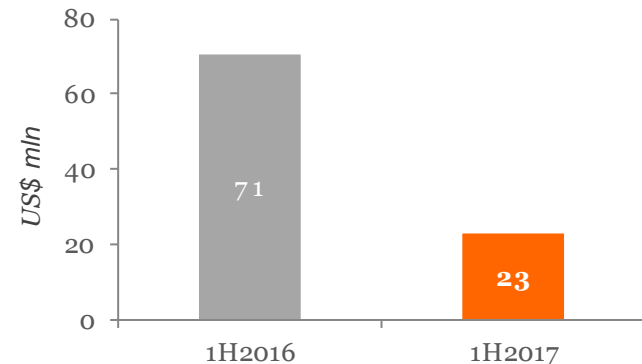
Adjusted EBITDA increased YoY, but growth was offset by higher raw material prices and lower LDP sales

2% YoY



Net profit decreased three-fold, mainly as a result of a lower FX gain compared to 1H 2016

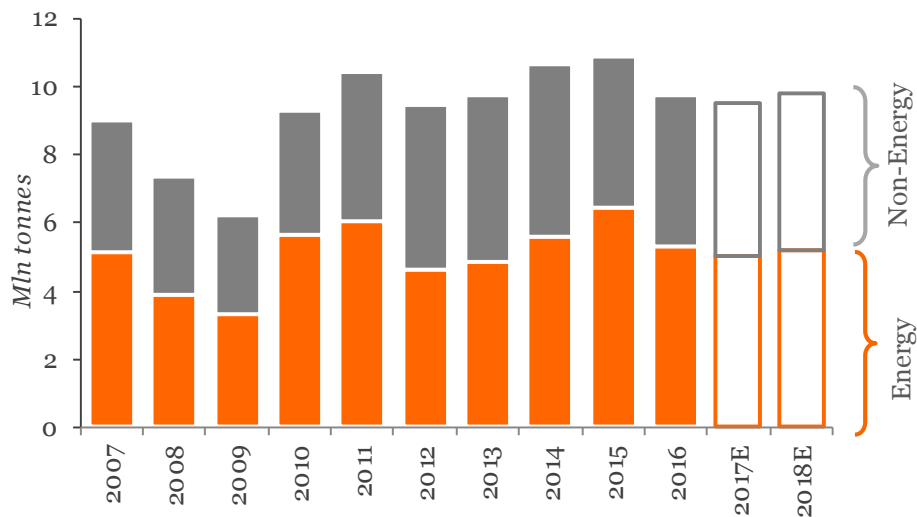
Decreased 3x YoY



Source: TMK data

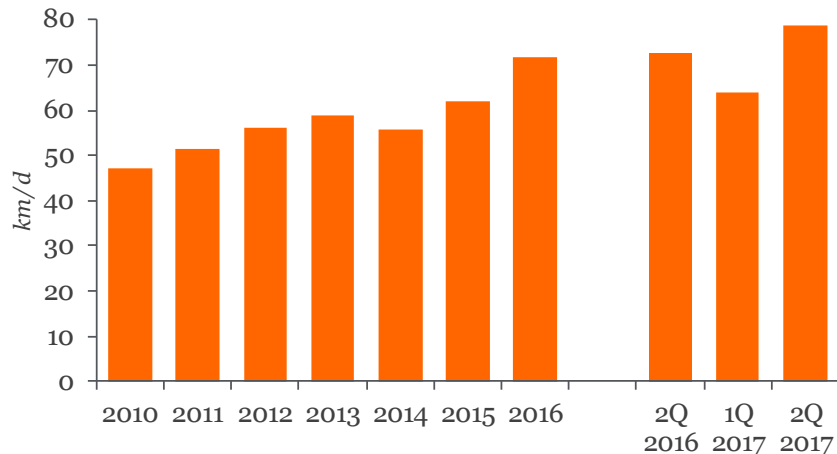
Russian Market Overview

Pipe market in Russia



Source: TMK estimates

Russian drilling activity remains strong



Source: CDUTEK

Key considerations

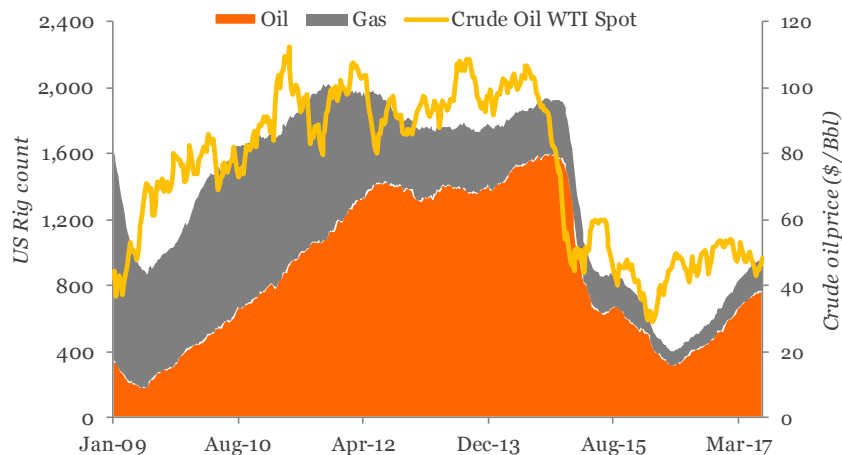
2Q 2017 vs 1Q 2017

- In 2Q 2017, the Russian pipe market grew by 15% compared to the previous quarter, largely driven by higher demand for industrial pipe.
- The Russian OCTG market contracted by 7% QoQ, following seasonally slower purchasing activity by the oil and gas companies.
- In 2Q, the start of the drilling season in Russia drove a 23% increase in drilling activity compared to the previous quarter.
- The share of horizontal drilling increased to 40% in 2Q 2017 compared to 39% in 1Q 2017.

1H 2017 vs 1H 2016

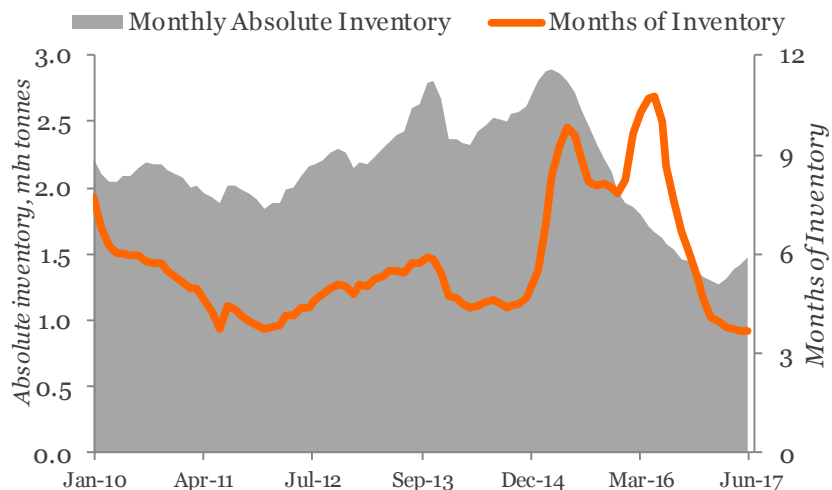
- The Russian pipe market contracted by 6% YoY, largely due to weaker LDP demand as a result of the completion or rescheduling of a number of major pipeline construction projects.
- At the same time, OCTG consumption rose by 20% compared to the same period of 2016, supported by growing drilling activity in Russia, which increased by 7% year-on-year.
- The share of horizontal drilling grew to 39% in 1H 2017 compared to 35% in 1H 2016.

Rising oil prices followed by improvement in rig count



Source: Baker Hughes, Bloomberg

Inventory levels showed a steep decline but the market is still oversupplied



Source: Preston Pipe & Tube Report

Key considerations

2Q 2017 vs 1Q 2017

- In the US, the average number of rigs in 2Q 2017 increased by 21% compared to the prior quarter (Baker Hughes).
- OCTG shipments rose by 36% QoQ (Preston Pipe Report) with OCTG inventories having decreased to an average 3.7 months compared to 3.9 in the previous quarter.
- Average composite OCTG seamless and welded pipe prices increased by 14% and 15% respectively compared to 1Q 2017 (Pipe Logix).

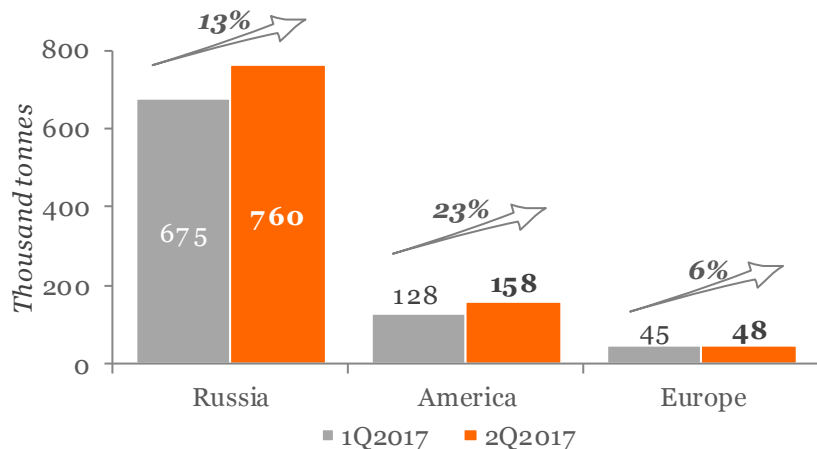
1H 2017 vs 1H 2016

- The average number of rigs in 1H 2017 grew by 70% compared to 1H 2016 (Baker Hughes), following a recovery in oil prices.
- OCTG shipments increased by 185% YoY (Preston Pipe Report).
- Average composite OCTG seamless and welded pipe prices increased 16% and 26% respectively compared to 1H 2016 (Pipe Logix).
- OCTG inventories decreased to an average 3.8 months compared to 9.9 in 1H 2016.

2Q 2017 vs 1Q 2017 Results

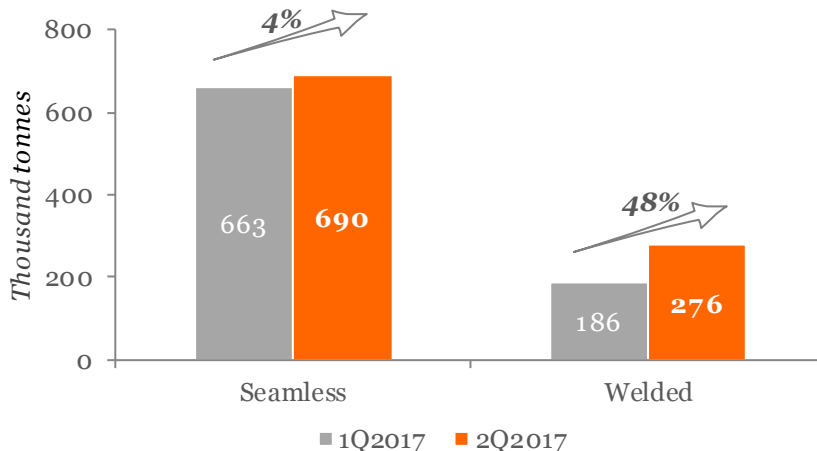
2Q 2017 vs 1Q 2017 Sales by Division and Product Group

Sales by division



- Russian division sales increased QoQ, mostly due to higher seamless and welded line pipe volumes.
- American division sales increased QoQ, as a result of higher welded OCTG volumes.
- European division sales marginally increased QoQ as a result of higher seamless industrial pipe sales.

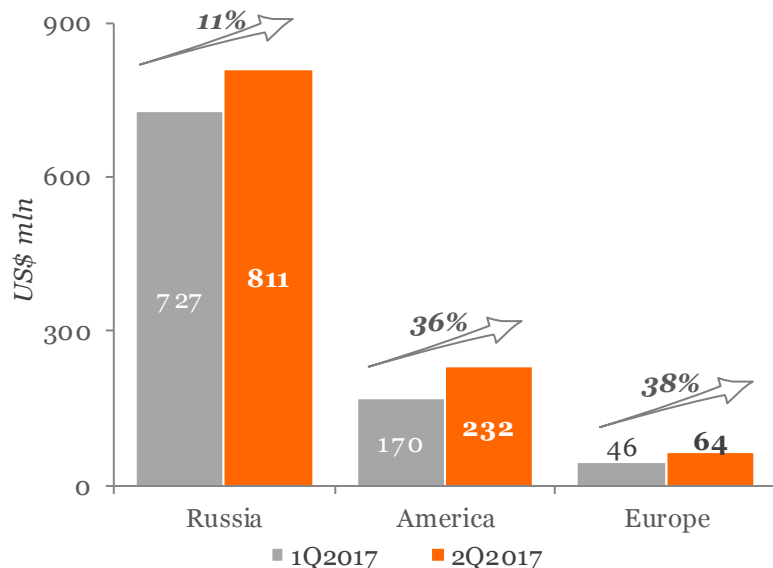
Sales by product group



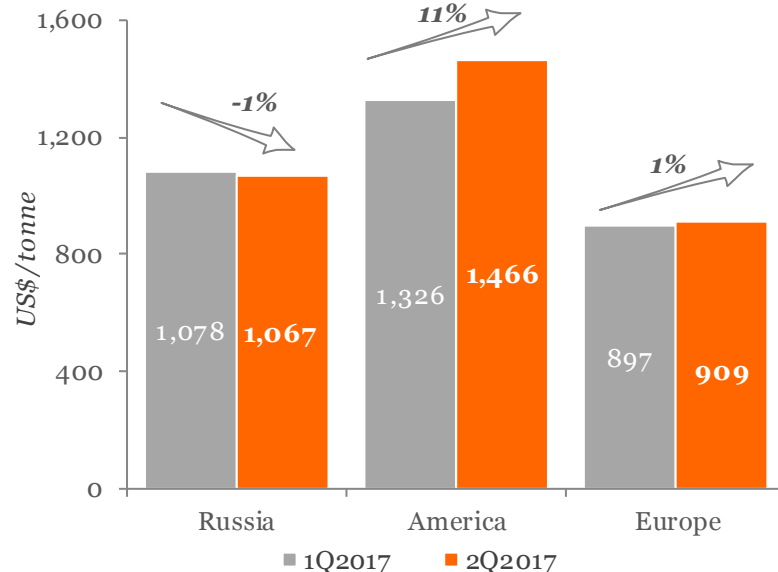
- Seamless pipe sales increased QoQ, due to higher seamless line pipe volumes at the Russian division.
- Welded pipe sales notably increased QoQ, due to higher sales of industrial and line pipe at the Russian division and increased welded OCTG sales at the American division.
- Total OCTG sales demonstrated a 4% decline as a result of lower demand in Russia following seasonally slower purchasing activity by the oil and gas companies.

2Q 2017 vs 1Q 2017 Revenue by Division

Revenue



Revenue per tonne*



* Revenue /tonne for the Russian and American divisions is calculated as total revenue divided by pipe sales. Revenue for the European division is calculated as total revenue divided by pipe+billets sales

- Results for 2Q 2017 at the Russian division reflected higher sales of seamless pipe as well as stronger volumes of welded line pipe.
- Increased sales of welded pipe as well as stronger pricing drove improved results at the American division in 2Q 2017, compared to 1Q 2017.
- In 1Q 2017, revenue at the European division increased, supported by higher seamless pipe sales and billet volumes, and an improved pricing environment.

- Russian division revenue per tonne remained almost flat QoQ.
- American division revenue per tonne increased QoQ, as a result of improved pricing environment.
- European division revenue per tonne remained almost flat QoQ.

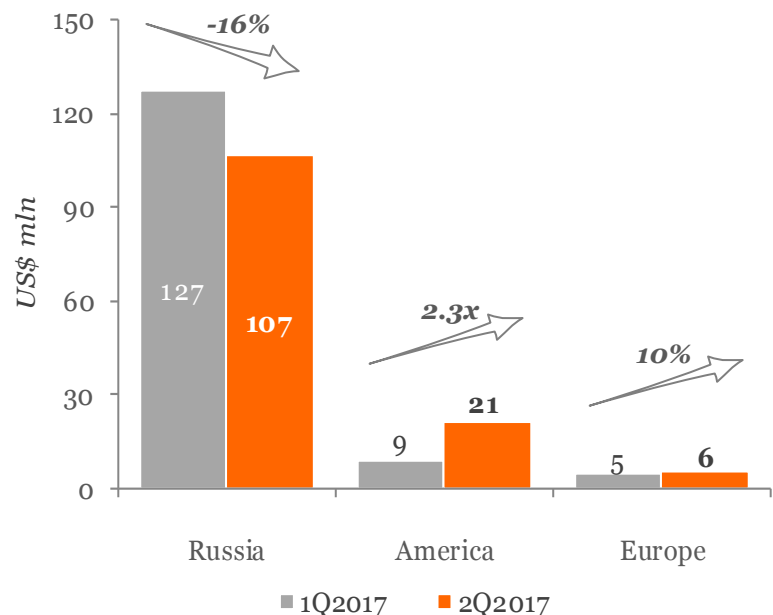
Source: Consolidated IFRS financial statements, TMK data

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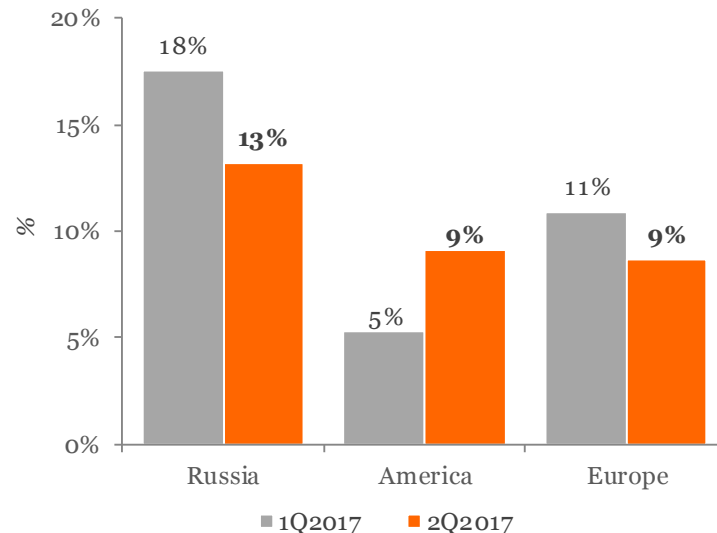
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2Q 2017 vs 1Q 2017 Adjusted EBITDA by Division

Adjusted EBITDA



Adjusted EBITDA margin



- Russian division Adjusted EBITDA decreased QoQ, largely due to OCTG and LDP sales comprising a lower share in the Russian division's total seamless and welded sales.
- American division EBITDA significantly improved QoQ, as a result of higher prices and stronger sales.
- European division Adjusted EBITDA remained almost flat QoQ.

- Russian division Adjusted EBITDA margin decreased QoQ largely due to unfavourable product mix.
- American division Adjusted EBITDA margin significantly improved to 9% in 2Q 2017.
- European division Adjusted EBITDA margin decreased QoQ, mainly due to higher scrap prices.

Source: TMK Consolidated IFRS financial statements, TMK data

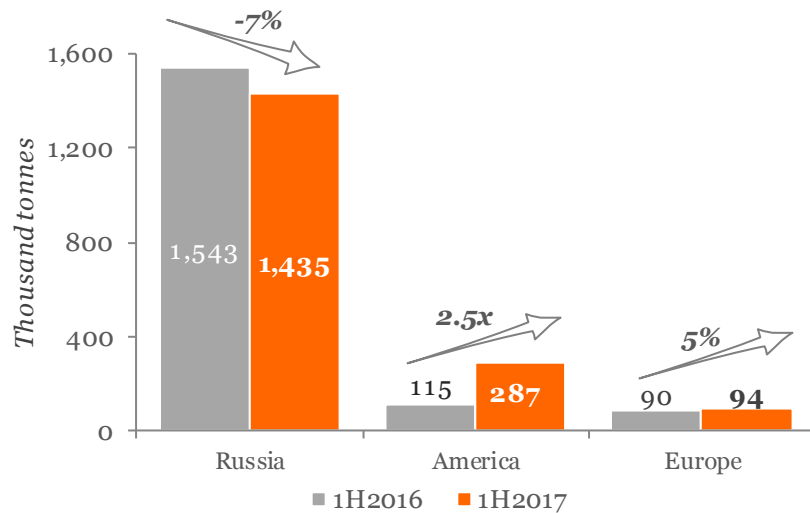
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1H 2017 vs 1H 2016 Results

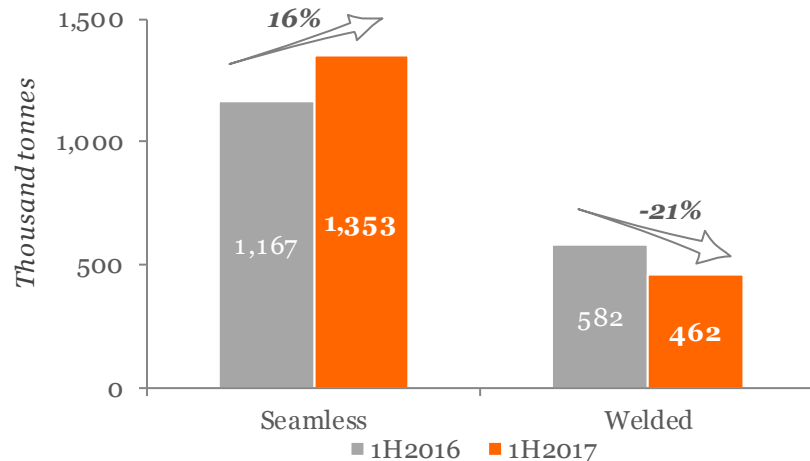
1H 2017 vs 1H 2016 Sales by Division and Product Group

Sales by division



- Russian division sales decreased YoY, mainly affected by lower LDP volumes.
- Year-on-year, a substantial increase in drilling activity combined with higher E&P spending in the North American market led to a considerable growth in OCTG sales at the American division.
- European division sales increased due to improved demand in the European market.

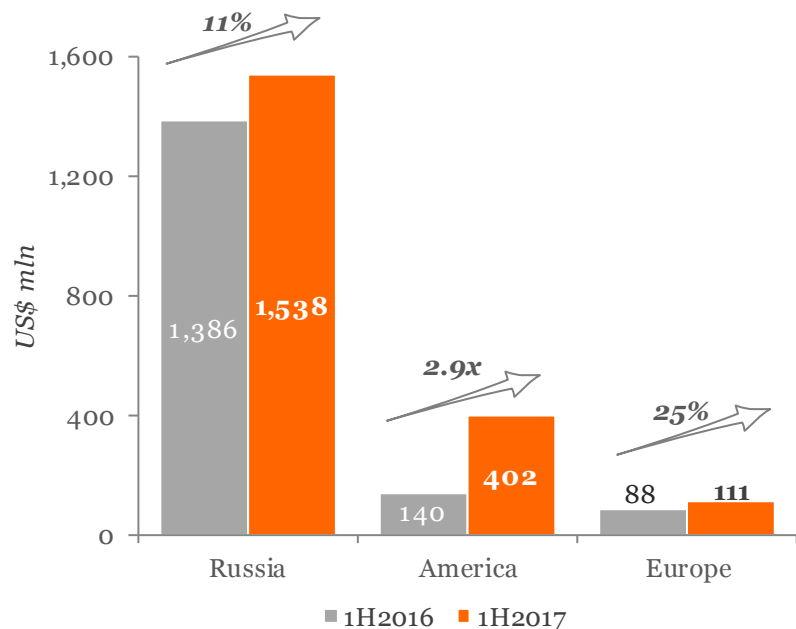
Sales by product group



- Seamless pipe volumes increased YoY, driven by growth at the Russian and especially American divisions.
- Welded pipe sales decreased YoY, largely due to a considerable decline in LDP volumes at the Russian division.
- Total OCTG sales increased by 31% YoY, as a result of a healthy growth at the Russian and a significant growth at the American division.

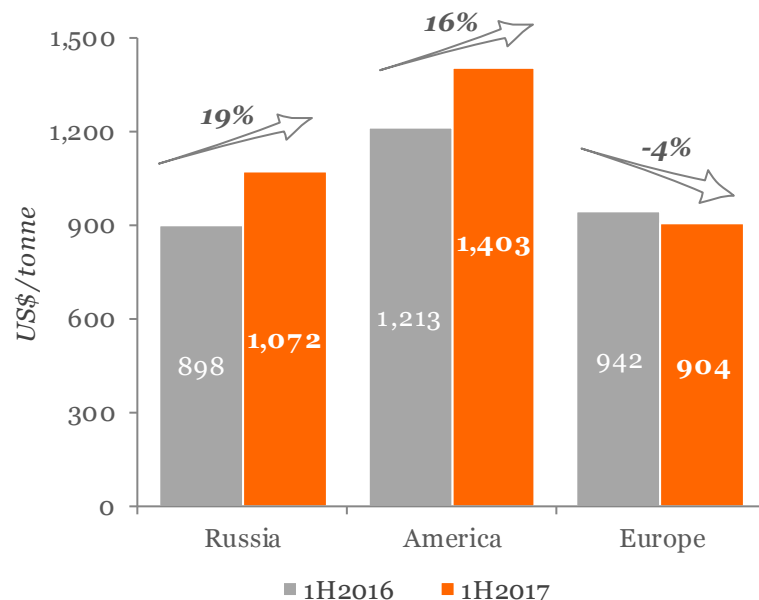
1H 2017 vs 1H 2016 Revenue by Division

Revenue



- The Russian division's YoY revenue growth was supported by the positive effect of currency translation.
- Revenue for the American division almost tripled YoY, as a result of a significant increase in pipe volumes and stronger pricing.
- A strong YoY performance at the European division was a result of stronger pricing and higher seamless pipe sales.

Revenue per tonne*



* Revenue/tonne for the Russian and American divisions is calculated as total revenue divided by pipe sales. Revenue for the European Division is calculated as total revenue divided by pipe+billets sales

- Russian division revenue per tonne increased YoY, primarily due a positive effect of currency translation.
- American division revenue per tonne grew as a result of better pricing.
- European division revenue per tonne decreased YoY, due to a less favourable product mix with a higher share of billets in total sales.

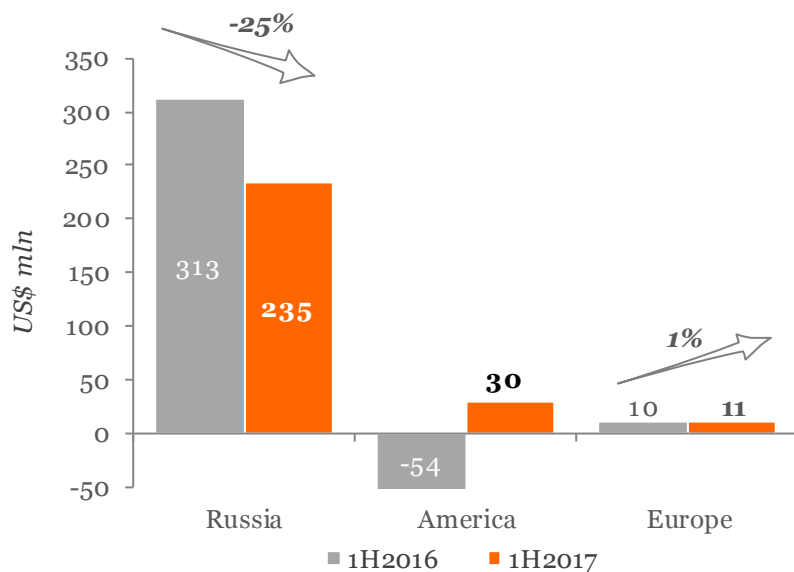
Source: Consolidated IFRS financial statements, TMK data

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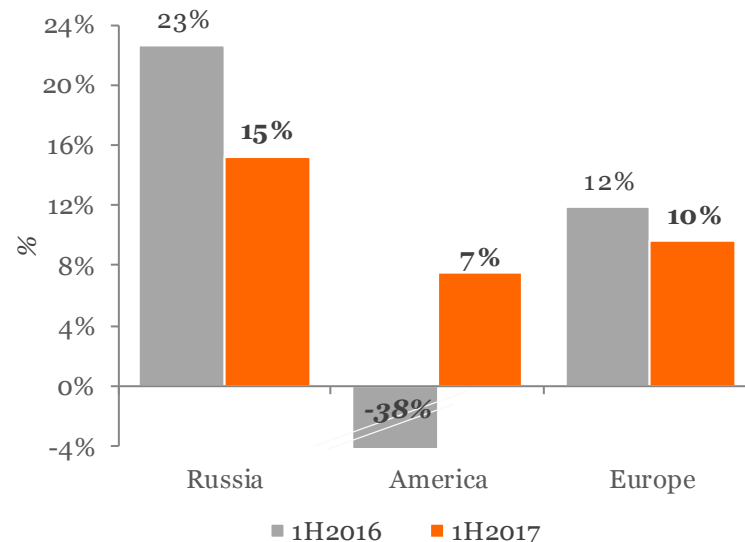
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1H 2017 vs 1H 2016 Adjusted EBITDA by Division

Adjusted EBITDA



Adjusted EBITDA margin



- Russian division Adjusted EBITDA decreased YoY, impacted by higher raw materials prices, weaker LDP volumes and increased commercial, administrative and other operating expenses.
- American division Adjusted EBITDA significantly improved YoY, following a strong growth in sales and pricing.
- European division Adjusted EBITDA remained nearly flat compared to 1H 2016.

- Russian division Adjusted EBITDA margin decreased YoY, due to the growth in raw materials prices and a less favorable product mix resulting from lower LDP sales.
- American division Adjusted EBITDA margin significantly improved to 7% in 1H 2017.
- European division Adjusted EBITDA margin decreased YoY, mostly due to a less favourable product mix.

Source: TMK Consolidated IFRS financial statements, TMK data

Note:

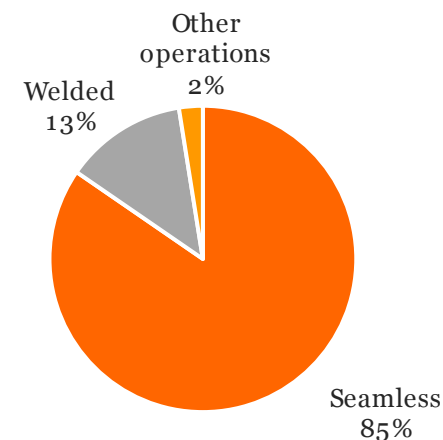
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Seamless – Core to Profitability



	U.S.\$ mln (unless stated otherwise)	2Q2017	QoQ, %	1H2017	YoY, %
SEAMLESS	Sales - Pipes, kt	690	4%	1,353	16%
	Revenue	800	12%	1,514	38%
	Gross profit	189	11%	358	20%
	Margin, %	24%		24%	
	Avg revenue/tonne (US\$)	1,158	7%	1,119	19%
	Avg gross profit/tonne (US\$)	273	7%	264	3%
WELDED	Sales - Pipes, kt	276	48%	462	-21%
	Revenue	258	46%	435	-1%
	Gross profit	29	11%	55	48%
	Margin, %	11%		13%	
	Avg revenue/tonne (US\$)	935	-2%	942	25%
	Avg gross profit/tonne (US\$)	104	-25%	118	86%

1H 2017 gross profit breakdown



- Sales of seamless pipe generated 74% of total Revenue in 1H 2017.
- Gross Profit from seamless pipe sales represented 85% of 1H 2017 total gross profit.
- Gross Profit Margin from seamless pipe sales amounted to 24% in 1H 2017.

Source: Consolidated IFRS financial statements, TMK data

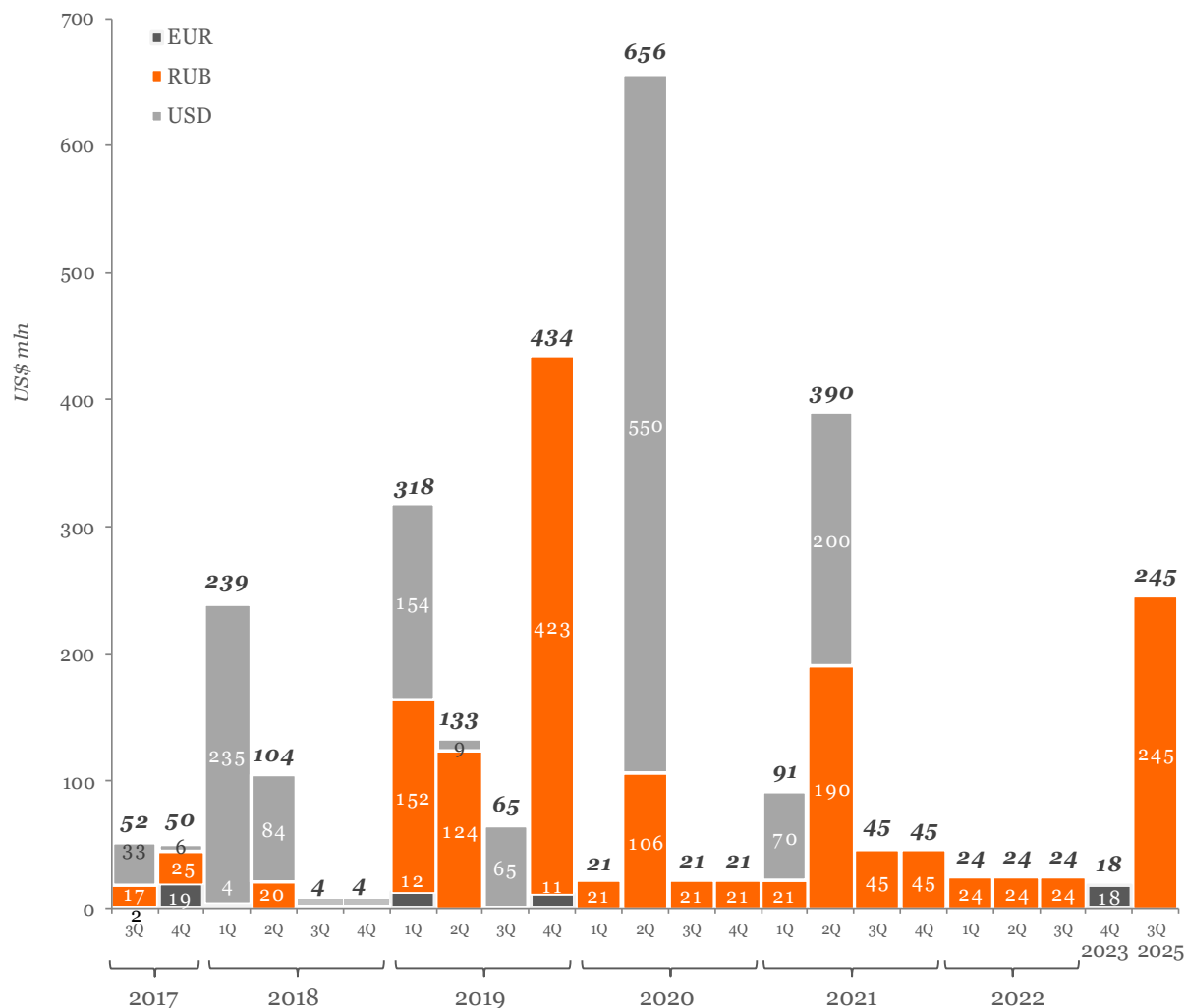
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Debt Maturity Profile as of June 30, 2017

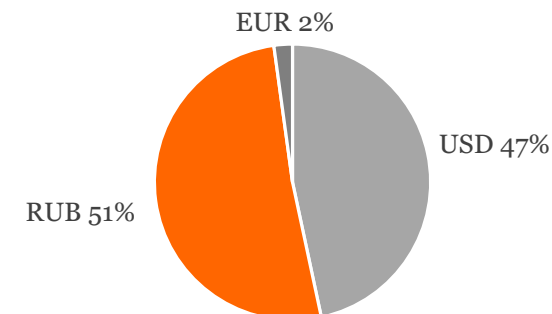


Debt maturity profile as of June 30, 2017



- As of June 30, 2017, Net Debt amounted to US\$2,567 mln
- Over US\$1bn reduction in Net Debt over the past 3 years
- In April 2017, TMK placed a RUB 5 billion 10-year bond with a 9.75% coupon rate
- In June 2017, TMK placed a RUB 10 billion 10-year bond with a 9.35% coupon rate
- In 1H 2017, the weighted average nominal interest rate decreased by 40 bps to 8.63% as of the end of the reported period.
- Credit Ratings:
 - S&P: B+
 - Moody's: B1

Debt currency structure



Source: TMK management accounts (figures based on non-IFRS measures), TMK estimates

Source: TMK management accounts

- In Russia, in 3Q 2017 TMK anticipates marginal growth in pipe sales compared to the previous quarter, mainly attributable to higher LDP volumes. In 2H 2017, the Company expects stronger LDP consumption and continued strong OCTG demand to drive increased pipe sales in the second half. Margins at the Russian division are expected to remain in line with 1H 2017 given low volatility in raw material prices and a stable exchange rate.
- Supported by the announced pricing increases, the Company anticipates its North American results to continue growing considerably in 2H 2017, assuming a stable oil and raw materials prices.
- In 2H 2017, the European division anticipates increased sales driven by high demand for industrial pipe from US and domestic customers. Increasing raw material prices may continue to fuel growth in pipe prices.
- Overall, TMK anticipates higher EBITDA in 2H 2017 driven by a significantly improved performance of the American division and stable results at the Russian division. The Company reiterates its guidance for FY 2017 of broadly flat margins year-on-year and overall stronger financial results compared to FY 2016.



Thank you

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